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Government & Politics**Tuesday, January 6, 2009****Auditor probes nonprofit agency**

BY ADAM TAYLOR • THE NEWS JOURNAL • DECEMBER 21, 2008

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WILMINGTON -- A nonprofit social service agency in Wilmington that received nearly \$330,000 in state [money](#) in the last fiscal year has poor management, doesn't document its work well and can't prove it provided all the services it claims it has, a state audit says.

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One of the audit's findings said that several of the health programs the agency was supposed to provide from a \$50,000 Urban Health & Environmental Learning Project grant were not delivered. There were also deficiencies in the agency's Families and Centers Empowered Together program, which aims to reduce violence and juvenile delinquency in high-risk families.

There were documentation problems with grants from the Delaware Prevention Network and the Clinical Services Grant-In-Aid program, both of which deal with helping people with drug and alcohol problems.

Peoples Settlement on Eighth Street has been helping the East Side's poorest residents with an array of services since 1901. But state Auditor R. Thomas Wagner Jr. said he fears for the agency's future if changes aren't made quickly.

If practices aren't improved, the audit released this week says, the state should consider stop giving the agency money. The state has given Peoples Settlement more than \$2 million since 2003, including \$90,000 so far for the current fiscal year, which is about half over. The audit covers the 2008 fiscal year, which began in July 2007 and ended June 30, Wagner's Executive Assistant Nick Adams said.

"Unless some sort of miracle happens, I don't see how they're going to survive," Wagner said. "It would take a major change in personnel and on the board to change the direction of one of the state's oldest service agencies to bring back its credibility."

The audit does not chronicle the agency's entire budget. It investigated the health of four programs. But Wagner says if all the state funding is cut, the only income he sees the agency receiving is rental income from its parking lot and money for day care, which he said is not enough to stay afloat.

Peoples Settlement Executive Director Keith Lake would not discuss the agency's [financial](#) situation last week. In October, however, he said he expects to survive the controversy. At the time, Lake said the agency has

an annual budget of \$1.2 million and employs 26 people. It provides day care, energy assistance and a host of other programs.

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A statement released by Lake last week from the agency's board of directors says the report "vindicates" the agency because a "misuse of state funds" allegation that was called into the state auditor's hot line and prompted the audit was not proved.

Some of Peoples Settlement's responses, which are included in the audit, didn't sway Wagner's findings.

"In some circumstances, they said they were never asked for documentation, when in fact they were asked repeatedly for it," he said. "In one case, they gave us some handwritten stuff belatedly that I wouldn't call falsified, but I'd call it suspicious, because it doesn't really prove anything."

The statement from the agency's board said it cooperated fully with the auditors.

Wagner said it's not his job to determine if anything in the audit points to criminal behavior. But he gave a copy to the state Attorney General's Office. That office's spokesman, Jason Miller, said the office has received the audit, but declined to comment further.

Wagner said the state auditor's work at Peoples Settlement isn't through. He said his staff continues to investigate other accusations in what he termed "a joint investigation with the state Attorney General's Office."

He also said he was "disheartened" that Lake and the board, in Wagner's view, underestimate the severity of the agency's financial situation. "In their response to our audit, they're not even acknowledging they've got problems," he said.

The agency's board statement said the probe is "politically motivated and initiated by several disgruntled ex-board members."

Former board member Charles Potter Jr., a Wilmington councilman, said he reported the agency to the auditor's and attorney general's offices, but said it wasn't for political reasons.

"What I saw when I was there was leadership who was not diligent and I felt I had to bring it to an end," Potter said. "I just hope the Attorney General's Office moves swiftly if it finds anything criminal."

The audit noted that the agency owes an unnamed accounting firm nearly \$12,000.

In addition to the audit, there have been other signs that the agency has money trouble.

Before the audit was released, United Way officials said they suspended funding to Peoples Settlement on June 30 because of questions about the agency's financial condition. The agency had received \$176,000 from the United Way the year before.

The agency, which provides day care services to children as part of its services, was about to have its water shut off by the city last Thursday, city Communications Director John Rago said. It owed \$8,466 in water, sewer and storm water management fees dating to February 2007, Rago said. Half of the bill was paid last week and a payment plan was arranged for the rest.

"The one big theme in our audit is poor documentation," Wagner said. "If you're a nonprofit who acts as a pass-through for government money and other monies, you have to be able to demonstrate that you somehow delivered the services you said you would. Our audit shows that in many cases, Peoples Settlement did not."

Contact Adam Taylor at 324-2787 or ataylor@delawareonline.com.

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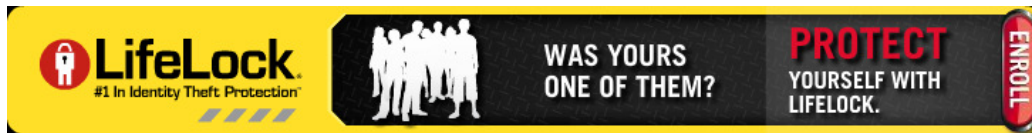
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